

Regulatory Compliance monitoring report

Quarter 4 2016-17

EY LLP

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

The Secretary of State for Communities and Local Government delegated a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

As a consequence of these delegations, for 2017/18 the company will continue to be responsible under transitional arrangements for appointing auditors to local government and police bodies, for setting audit fees and for making arrangements for certification of housing benefit subsidy claims.

Looking beyond 2017/18, the Secretary of State has specified PSAA as an appointing person for principal local government bodies from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

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Monitoring of regime requirements

1 This report summarises the performance of the firm against key quarterly performance indicators. The all firm comparison is also provided.

Activity	Target	All Suppliers % (no.)	EY % (no.)	Firm Comments
Issue of planning (fee) letters.	100% by 29 April 2016. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of NHS audit opinions.	100% by 27 May 2016 (CCG) and 2 June 2016 (NHS Trusts). Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of NHS VFM conclusions.	100% by 27 May 2016 (CCG) and 2 June 2016 (NHS Trusts). Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of local government audit opinions.	100% by 30 September 2016. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	97% (16)	97% (6)	These opinions were delayed due to circumstances beyond the firm's control.
Issue of local government audit VFM conclusions.	100% by 30 September 2016. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	97% (17)	96% (7)	These VFM arrangements opinions were delayed due to circumstances beyond the firm's control.
Issue of WGA reports.	100% by 21 October 2016. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	97% (16)	98% (4)	These WGA assurance statements were delayed due to circumstances beyond the firm's control.
Confirmation of final NHS fee to audited bodies	100% by 31 July 2016 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of NHS annual audit letters.	100% by 31 July 2016 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	99% (2)	100% (0)	
Confirmation of final local government fee to audited bodies	100% by 30 October 2016 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of local government annual audit letters.	100% by 30 October 2016 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	97% (18)	97% (6)	The AALs concerned relate to those clients where the opinions were delayed due to circumstances beyond our control

Source: PSAA

2016-17 QRP Monitoring Spreadsheet/ 02/05/2017

Activity	Target	All Suppliers % (no.)	EY % (no.)	Firm Comments
Audited body database information.	Accurate database information provided to PSAA. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	99% (11)	98% (4)	
Complaints upheld against auditors.	Complaints upheld against auditors. Green 0 Upheld Amber 1 upheld Red 2 or more upheld	1	0	
Non-compliance with requirements on independence issues.	Instances of non-compliance. Firms: Green 1 case Amber 2 cases Red 3 or more cases Regime: Green Up to 5 cases Amber 6 or 7 cases Red 8 or more cases	1	1	
Attendance at Contact Partner Meetings	Attendance of Contact Partner at all meetings. Firms: Green 1 case Amber 2 cases Red 3 or more cases Regime: Green Up to 5 cases Amber 6 or 7 cases Red 8 or more cases	0	0	
Consideration of objections	Outstanding objections not determined within 9 months. Firms: Green 1 case Amber 2 cases Red 3 or more cases Regime: Green Up to 5 cases Amber 6 or 7 cases Red 8 or more cases	5	1	This objection was made before the firm was appointed, and was passed to EY for consideration six months after it had been raised. It has required consultation with many parties, including other suppliers, the NAO and legal advisors, and as such has taken longer than expected to resolve

Other issues identified in the quarter

Fee variations

3 During quarter four, PSAA received requests for variations to 2015/16 scale fees, totalling £316,357 as detailed in Table 1.

Table 1: Fee variation requests

Total net value of fee variation requests made (£)	% of variation against scale fee requested	Total net value of fee variation requests approved (£)	% of variation against scale fee approved
316,357	1.92	162,086	0.98

4 Fee variations totalling £2,471 were rejected. PSAA has asked the firm to provide further supporting information on the remainder of the 2015/16 fee variations requested (£151,800).

Non-audit services

5 Two requests, made to PSAA for approval of non-audit services above the de minimis threshold set out in the Terms of appointment, were approved during quarter four.

Table 2: Non-audit service requests

Body	Nature of work	Comments
1	Risk Appetite Facilitation	Approved
2	Stock Exchange Prospectus	Approved